

**AUDITED FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTAL INFORMATION
OTHER FINANCIAL INFORMATION
AND SUPPLEMENTAL REPORTS**

**TOWNSHIP OF BERGLAND
BERGLAND, MICHIGAN**

March 31, 2005

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF BERGLAND, MICHIGAN	County ONTONAGON
Audit Date MARCH 31, 2005	Opinion Date JULY 29, 2005	Date Accountant Report Submitted to State: SEPTEMBER 7, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) JOKI, MAKELA & POLLACK, P.L.L.C.			
Street Address 301 N. SUFFOLK ST.		City IRONWOOD	State MI
Accountant Signature Dean Beaudoin CPA		ZIP 49938	

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JOKI, MAKELA & POLLACK, P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Township of Bergland
Bergland, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Township of Bergland as of and for the year ended March 31, 2005, which collectively comprise the basic financial statements of Township of Bergland, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Township of Bergland as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 29, 2005, on our consideration of Township of Bergland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note A, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of March 31, 2005.

The management's discussion and analysis and budgetary comparison information on pages 6 through 10 and pages 40 and 41, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Bergland's basic financial statements. The accompanying Other Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Joki, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
July 29, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWNSHIP OF BERGLAND

Year ended March 31, 2005

Management's Discussion and Analysis

This section of the Township of Bergland's (Township) annual financial report presents our discussion and analysis of the Township's financial performance during the year ended March 31, 2005. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments* and is intended to provide the financial results for the fiscal year ending March 31, 2005. This is the first year of GASB 34 implementation. As a result the financial report is presented differently than previous years. Because this is the first year of implementation of GASB Statement No. 34, prior-year data is not available but will be provided in subsequent years for comparative purposes.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual method of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities except the fiduciary funds. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental and business-type activities of the Township that include all services performed by the Township. These activities are funded primarily by property taxes, charges for services, state grants and other revenues.

The statement of net assets reports the Township's assets and liabilities. The corresponding balance between the assets and liabilities equals the net assets of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the financial position of the Township generally is. It helps management determine if the Township will be able to fund current obligations and whether they have resources available for future use.

The statement of activities shows the current year change in net assets on a revenue less expense basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements

The Township's fund financial statements show a detail of funds that are determined to be significant, called major funds. The funds that are separately stated as major funds are the General Fund, Fire Fund, Water Supply System Fund and Sanitary Sewage Disposal System Fund. The Township has two nonmajor funds; the Cemetery Fund and Parks and Recreation Fund.

Governmental funds are accounted for by the modified accrual method of accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The governmental fund financial statements show the detail of operations for a given year according to this method of accounting. This is similar to how the Township reported their finances in the past. The individual fund statements help management determine what financial resources are available on a short-term basis to fund operations.

Since the government-wide financial statements and the fund financial statements use different methods of accounting to report the Township's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds.

The Tax Collection Fund is reported in the fiduciary fund financial statement, but is excluded from the government-wide reporting. The fiduciary fund financial statement reports resources that are not available to fund Township programs. The fiduciary fund financial statement reports similarly to governmental funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information

Statement of Net Assets

The following is a March 31, 2005, condensed statement of net assets with a detailed analysis of the statement below.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
ASSETS		
Current Assets:		
Cash	\$ 88,955	\$ 39,541
Receivables	8,026	17,545
Due from other funds	68,946	2,811
Other current assets	<u>7,518</u>	<u>4,608</u>
Total Current Assets	\$ 173,445	\$ 64,505
Noncurrent Assets:		
Restricted cash		\$ 82,604
Capital assets, net of accumulated depreciation	<u>\$ 214,284</u>	<u>849,299</u>
Total Noncurrent Assets	\$ 214,284	\$ 931,903
Total Assets	<u>\$ 387,729</u>	<u>\$ 996,408</u>
LIABILITIES		
Current liabilities	\$ 1,089	\$ 31,160
Long-term liabilities, net of current portion		<u>224,000</u>
Total Liabilities	<u>\$ 1,089</u>	<u>\$ 255,160</u>
NET ASSETS		
Investment in capital assets, net of related debt	\$ 214,284	\$ 601,299
Restricted for debt service		82,604
Unrestricted	<u>172,356</u>	<u>57,345</u>
Total Net Assets	<u>\$ 386,640</u>	<u>\$ 741,248</u>

The Township's total net assets are \$1,127,888 at March 31, 2005. Capital assets, net of related debt are \$815,583. This figure is derived by taking the original cost of the Township's assets, subtracting accumulated depreciation to date and comparing this figure to the amount of long-term debt used to finance the acquisition of those assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information

Statement of Net Assets (Continued)

Restricted net assets of \$82,604 are restricted by enterprise fund bond ordinances.

The total unrestricted net assets are \$229,701 as of March 31, 2005. This is the net accumulated result of the current and past years' operations. The nature of the Township's operations is based on property taxes, charges for services, state aid, federal grants and local funds received to fund various programs. The balance in the unrestricted net assets shows that the Township has an ample amount of assets to fund liabilities at March 31, 2005.

Statement of Activities

The results of operations for the Township as a whole are reported in the statement of activities. This statement reports the changes in net assets for the fiscal year ended March 31, 2005. Since this is the first year the Township has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to the previous year are not made.

	Governmental Activities	Business-Type Activities
Revenue:		
Program Revenues:		
Charges for services	\$ 57,441	\$ 97,811
Operating grants and contributions	4,956	
Capital grants and contributions	51,909	
General Revenues:		
Property Taxes	81,492	
State and federal grants	38,428	
Interest and rents	5,952	1,266
	<u>240,178</u>	<u>99,077</u>
Total Revenue	\$ 240,178	\$ 99,077
Program expenses:		
Governmental activities	\$ 154,180	
Business-type activities		\$ 109,000
	<u>154,180</u>	<u>109,000</u>
Increase (Decrease) in Net Assets	<u>\$ 85,998</u>	<u>\$ (9,923)</u>

The Township had an overall increase in net assets of \$76,075 for the year ended March 31, 2005, consisting of an increase in governmental activities of \$85,998 and a decrease in business-type activities of \$9,923.

The Township's total revenues totaled \$339,255.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Statement of Activities (Continued)

The Township's total cost to fund governmental activities was \$154,180, and business-type activities was \$109,000. A majority of these costs were funded by property taxes and grants. This shows the Township has reliance on property taxes and grants to provide future funding for its programs and administrative costs.

Governmental Fund Budgetary Items

A schedule showing the Township's General Fund and Fire Fund original budget, final budget and the actual results are included as required supplementary information in the financial section of the audit report.

Capital Assets

At March 31, 2005, the Township had \$1,063,583 invested in capital assets net of accumulated depreciation. This amount increased during the past fiscal year by \$14,948, consisting of additions totaling \$59,264, and depreciation charges of \$9,452 for its governmental activities, and additions of \$9,695 and depreciation charges of \$44,559 for its business-type activities.

Debt

The Township had \$248,000 of long-term liabilities at March 31, 2005. This amount consists of revenue bonds payable as described in Note G to the financial statements.

Future Considerations

The change in state aid payments along with State budget cuts will impact the financial condition of the Township. The Township has adopted a budget for the upcoming fiscal year that should not over expend it's funding and leave the Township with a positive Fund Balance.

Contacting the Township

If you have any questions about this report or need additional information, contact the Township offices at Township of Bergland, P.O. Box 326, Bergland, MI 49910; telephone number (906) 575-3522.

BASIC
FINANCIAL
STATEMENTS

STATEMENT OF NET ASSETS
TOWNSHIP OF BERGLAND, MICHIGAN

March 31, 2005

	Governmental Activities	Business-Type Activities
ASSETS		
CURRENT ASSETS		
Cash	\$ 88,955	\$ 39,541
Receivables:		
Delinquent property taxes	8,026	
Accounts		17,545
Inventory		4,608
Prepays	7,518	
Due from other funds	<u>68,946</u>	<u>2,811</u>
TOTAL CURRENT ASSETS	\$ 173,445	\$ 64,505
NONCURRENT ASSETS		
Capital assets, net	\$ 214,284	\$ 849,299
Restricted cash		<u>82,604</u>
TOTAL NONCURRENT ASSETS	<u>\$ 214,284</u>	<u>\$ 931,903</u>
TOTAL ASSETS	<u>\$ 387,729</u>	<u>\$ 996,408</u>
LIABILITIES		
Accrued interest		\$ 1,456
Salaries and related taxes	\$ 1,089	
Due other funds		5,704
Revenue bonds payable		<u>248,000</u>
TOTAL LIABILITIES	<u>\$ 1,089</u>	<u>\$ 255,160</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 214,284	\$ 601,299
Restricted		82,604
Unrestricted	<u>172,356</u>	<u>57,345</u>
TOTAL NET ASSETS	<u>\$ 386,640</u>	<u>\$ 741,248</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT
TOWNSHIP OF
Year ended

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Legislative	\$ 11,413			
General government	81,410	\$ 32,011		
Public safety	14,331	5,218		\$ 51,909
Public works	11,046		\$ 4,956	
Recreation and culture	5,304	20,212		
Other functions	21,224			
Depreciation - unallocated	<u>9,452</u>			
Total Governmental Activities	\$ 154,180	\$ 57,441	\$ 4,956	\$ 51,909
Business-type activities:				
Water Supply System Fund	\$ 70,179	\$ 54,568		
Sanitary Sewage Disposal System Fund	<u>38,821</u>	<u>43,243</u>		
Total Business-Type Activities	\$ <u>109,000</u>	\$ <u>97,811</u>		
Total	\$ <u>263,180</u>	\$ <u>155,252</u>	\$ <u>4,956</u>	\$ <u>51,909</u>
General revenues:				
Taxes				
State and federal grants				
Interest and rents				
Total General Revenues				
Change in Net Assets				
Net assets at April 1, 2004				
Net assets at March 31, 2005				
The accompanying notes are an integral part of the financial statements.				

OF ACTIVITIES

BERGLAND, MICHIGAN

March 31, 2005

<u>Net (Expense) Revenue and</u> <u>Changes in Net Assets</u>		
Governmental Activities	Business-type Activities	Total
\$ (11,413)		\$ (11,413)
(49,399)		(49,399)
42,796		42,796
(6,090)		(6,090)
14,908		14,908
(21,224)		(21,224)
<u>(9,452)</u>		<u>(9,452)</u>
\$ (39,874)		\$ (39,874)
	\$ (15,611)	\$ (15,611)
	<u>4,422</u>	<u>4,422</u>
	\$ (11,189)	\$ (11,189)
\$ (39,874)	\$ (11,189)	\$ (51,063)
\$ 81,492		\$ 81,492
38,428		38,428
<u>5,952</u>	<u>\$ 1,266</u>	<u>7,218</u>
\$ 125,872	\$ 1,266	\$ 127,138
\$ 85,998	\$ (9,923)	\$ 76,075
<u>300,642</u>	<u>751,171</u>	<u>\$ 1,051,813</u>
<u>\$ 386,640</u>	<u>\$ 741,248</u>	<u>\$ 1,127,888</u>

COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS

TOWNSHIP OF BERGLAND, MICHIGAN

March 31, 2005

	General	Fire Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash	28,814	\$ 13,099	\$ 47,042	\$ 88,955
Receivables - property taxes	5,278	2,748		8,026
Prepays	7,518			7,518
Due from other funds	<u>39,589</u>	<u>29,357</u>		<u>68,946</u>
	<u>\$ 81,199</u>	<u>\$ 45,204</u>	<u>\$ 47,042</u>	<u>\$ 173,445</u>
LIABILITIES AND FUND EQUITY				
Liabilities - salaries and related taxes	\$ 1,089			\$ 1,089
Fund equity - unreserved fund balance	<u>80,110</u>	<u>\$ 45,204</u>	<u>\$ 47,042</u>	<u>172,356</u>
	<u>\$ 81,199</u>	<u>\$ 45,204</u>	<u>\$ 47,042</u>	<u>\$ 173,445</u>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
WITH THE STATEMENT OF NET ASSETS
TOWNSHIP OF BERGLAND, MICHIGAN
March 31, 2005

Total fund equity of governmental activities	\$	172,356
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Amounts reported for governmental activities in the statement of net assets are different because:

Additions:

Capital assets used in governmental activities are not financial resources and
therefore are not reported as assets in governmental funds.

Cost of capital assets	\$	496,924	
Accumulated depreciation		<u>(282,640)</u>	<u>214,284</u>

Total net assets of governmental activities	\$	<u>386,640</u>
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The accompanying notes are an integral part of the
financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS

TOWNSHIP OF BERGLAND, MICHIGAN

Year ended March 31, 2005

	General	Fire Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 49,254	\$ 32,238		\$ 81,492
Licenses and permits	4,510			4,510
Federal grants	4,956	51,909		56,865
State grants	38,428			38,428
Charges for services	5,061			5,061
Interest and rents	5,127	233	\$ 592	5,952
Other revenues	<u>25,811</u>	<u>708</u>	<u>21,351</u>	<u>47,870</u>
	\$ 133,147	\$ 85,088	\$ 21,943	\$ 240,178
Expenditures:				
Current:				
Legislative	\$ 11,413			\$ 11,413
General government	80,512		\$ 898	81,410
Public safety	7,821	\$ 5,468		13,289
Public works	11,046			11,046
Recreation and culture	4,544		760	5,304
Other functions	21,224			21,224
Capital outlay		59,264		59,264
Debt service		<u>42,050</u>		<u>42,050</u>
	\$ 136,560	\$ 106,782	\$ 1,658	\$ 245,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (3,413)	\$ (21,694)	\$ 20,285	\$ (4,822)
Fund balance at April 1, 2004	<u>83,523</u>	<u>66,898</u>	<u>26,757</u>	<u>177,178</u>
FUND BALANCE AT MARCH 31, 2005	<u>\$ 80,110</u>	<u>\$ 45,204</u>	<u>\$ 47,042</u>	<u>\$ 172,356</u>

The accompanying notes are an integral part of the
financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS
WITH THE STATEMENT OF ACTIVITIES

TOWNSHIP OF BERGLAND, MICHIGAN

March 31, 2005

Net change in fund balance - total governmental funds	\$ (4,822)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or construct capital assets are reported as expenditures in governmental funds. For governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.

Capital outlays	\$ 59,264	
Depreciation expense	<u>(9,452)</u>	49,812

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not effect the statement of activities.

<u>41,008</u>

Change in net assets of governmental activities

<u>\$ 85,998</u>

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

TOWNSHIP OF BERGLAND, MICHIGAN

March 31, 2005

	Business-Type Activities Enterprise Funds		
	Water Supply System Fund	Sanitary Sewage Disposal System Fund	Totals
ASSETS			
CURRENT ASSETS			
Cash	\$ 17,265	\$ 22,276	\$ 39,541
Customer accounts receivable:			
Current	8,540	6,702	15,242
Delinquent accounts added to tax roll	1,313	990	2,303
Inventory	2,455	2,153	4,608
Due from other funds	<u>1,497</u>	<u>1,314</u>	<u>2,811</u>
TOTAL CURRENT ASSETS	\$ 31,070	\$ 33,435	\$ 64,505
NONCURRENT ASSETS			
Restricted cash	\$ 54,028	\$ 28,576	\$ 82,604
Capital assets	1,163,960	630,261	1,794,221
Less accumulated depreciation	<u>(455,334)</u>	<u>(489,588)</u>	<u>(944,922)</u>
TOTAL NONCURRENT ASSETS	\$ 762,654	\$ 169,249	\$ 931,903
TOTAL ASSETS	<u>\$ 793,724</u>	<u>\$ 202,684</u>	<u>\$ 996,408</u>
LIABILITIES			
CURRENT LIABILITIES			
Accrued interest	\$ 1,268	\$ 188	\$ 1,456
Due other funds	2,852	2,852	5,704
Current portion of long-term debt	<u>12,000</u>	<u>12,000</u>	<u>24,000</u>
TOTAL CURRENT LIABILITIES	\$ 16,120	\$ 15,040	\$ 31,160
NONCURRENT LIABILITIES			
Revenue bonds payable	\$ 233,000	\$ 15,000	\$ 248,000
Less amount classified as current liability	<u>12,000</u>	<u>12,000</u>	<u>24,000</u>
TOTAL NONCURRENT LIABILITIES	\$ 221,000	\$ 3,000	\$ 224,000
TOTAL LIABILITIES	<u>\$ 237,120</u>	<u>\$ 18,040</u>	<u>\$ 255,160</u>

COMBINED STATEMENT OF NET ASSETS - PROPRIETARY FUNDS (CONTINUED)

	Business-Type Activities		
	Enterprise Funds		
	Water Supply System Fund	Sanitary Sewage Disposal System Fund	Totals
NET ASSETS			
Invested in capital assets, net of related debt	\$ 475,626	\$ 125,673	\$ 601,299
Restricted	54,028	28,576	82,604
Unrestricted	<u>26,950</u>	<u>30,395</u>	<u>57,345</u>
TOTAL NET ASSETS	<u>\$ 556,604</u>	<u>\$ 184,644</u>	<u>\$ 741,248</u>

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS

TOWNSHIP OF BERGLAND, MICHIGAN

Year ended March 31, 2005

	Business-Type Activities Enterprise Funds		
	Water Supply System Fund	Sanitary Sewage Disposal System Fund	Totals
Operating revenues:			
Charges for services	\$ 52,768	\$ 43,243	\$ 96,011
Hydrant rental	<u>1,800</u>		<u>1,800</u>
TOTAL OPERATING REVENUES	\$ 54,568	\$ 43,243	\$ 97,811
Operating expenses:			
Personnel services	\$ 11,242	\$ 8,326	\$ 19,568
Materials and supplies	19,250	12,153	31,403
Provision for depreciation	<u>28,161</u>	<u>16,398</u>	<u>44,559</u>
TOTAL OPERATING EXPENSES	\$ <u>58,653</u>	\$ <u>36,877</u>	\$ <u>95,530</u>
OPERATING INCOME (LOSS)	\$ (4,085)	\$ 6,366	\$ 2,281
Nonoperating revenues (expenses):			
Interest earned	\$ 714	\$ 552	\$ 1,266
Debt service - interest and fees	<u>(11,526)</u>	<u>(1,944)</u>	<u>(13,470)</u>
	\$ <u>(10,812)</u>	\$ <u>(1,392)</u>	\$ <u>(12,204)</u>
CHANGE IN NET ASSETS	\$ (14,897)	\$ 4,974	\$ (9,923)
Net assets at April 1, 2004	<u>571,501</u>	<u>179,670</u>	<u>751,171</u>
NET ASSETS AT MARCH 31, 2005	\$ <u>556,604</u>	\$ <u>184,644</u>	\$ <u>741,248</u>

The accompanying notes are an integral part of the
financial statements.

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

TOWNSHIP OF BERGLAND, MICHIGAN

Year ended March 31, 2005

	Business-Type Activities Enterprise Funds		
	Water Supply System Fund	Sanitary Sewage Disposal System Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 50,726	\$ 41,012	\$ 91,738
Hydrant rental	1,800		1,800
Cash paid to suppliers for goods and services	<u>(37,259)</u>	<u>(27,001)</u>	<u>(64,260)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 15,267	\$ 14,011	\$ 29,278
Cash flows from capital and related financing activities:			
Capital expenditures	\$ (9,695)		\$ (9,695)
Principal paid on revenue bonds	(47,000)	\$ (71,000)	(118,000)
Revenue bond interest and fees paid	<u>(12,228)</u>	<u>(2,968)</u>	<u>(15,196)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (68,923)	\$ (73,968)	\$ (142,891)
Cash flows from investing activities - interest earned	<u>714</u>	<u>552</u>	<u>1,266</u>
NET DECREASE IN CASH	\$ (52,942)	\$ (59,405)	\$ (112,347)
Cash at April 1, 2004	<u>124,235</u>	<u>110,257</u>	<u>234,492</u>
CASH AT MARCH 31, 2005	<u>\$ 71,293</u>	<u>\$ 50,852</u>	<u>\$ 122,145</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (4,085)	\$ 6,366	\$ 2,281
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	\$ 28,161	\$ 16,398	\$ 44,559
(Increase) in:			
Due from other funds	(1,497)	(1,314)	(2,811)
Customer accounts receivable	(545)	(917)	(1,462)
Due to other funds	<u>(6,767)</u>	<u>(6,522)</u>	<u>(13,289)</u>
Total adjustments	<u>\$ 19,352</u>	<u>\$ 7,645</u>	<u>\$ 26,997</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 15,267</u>	<u>\$ 14,011</u>	<u>\$ 29,278</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF FIDUCIARY NET ASSETS - TAX COLLECTION FUND

TOWNSHIP OF BERGLAND, MICHIGAN

March 31, 2005

ASSETS

Cash in bank	\$ <u>66,053</u>
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LIABILITIES

Due other funds	\$ <u>66,053</u>
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The accompanying notes are an integral part of the financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

NOTES TO FINANCIAL STATEMENTS
TOWNSHIP OF BERGLAND, MICHIGAN

March 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Township of Bergland operates under an elected Board of Trustees. The financial statements of the Township have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the Township's accounting policies are described below.

Financial Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the Township financial-reporting entity. The criteria established for determining the various governmental organizations to be included as component units in the Township's financial statements include oversight responsibility, scope of public service and special financing relationships.

On this basis, the financial statements of the local school district are not included as a component unit in the financial statements of the Township. Educational services are provided to citizens through the local school district, which is a separate governmental entity.

Basis of Presentation

Government-wide Financial Statements

The Township government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all of the activities of the Township except for the fiduciary activities. The Township General Fund, Fire Fund, Cemetery Fund and Parks and Recreation Fund are considered to be governmental activities and its enterprise funds business-type activities. Interfund activity including operating transfers between activities has been eliminated in the Government-wide financial statements.

Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental, business-type and fiduciary funds are provided. The various fund types are grouped in the financial statements as major funds or nonmajor funds. The Township reports the General Fund, Fire Fund, Water Supply System Fund and Sanitary Sewage Disposal System Fund as major funds. The Cemetery Fund and Parks and Recreation Fund are nonmajor funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Fund-based Financial Statements (Continued)

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state and federal grants and various local sources.

Fire Fund - The Fire Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for fire purposes.

Cemetery Fund - The Cemetery Fund is used to account for proceeds of specific revenue sources that are legally restricted to expenditures for cemetery purposes.

Parks and Recreation Fund - The Parks and Recreation Fund is used to account for proceeds of specific revenue sources that are legally restricted to expenditures for park and recreation purposes.

Proprietary Fund Types

These funds account for operations that are organized to be self-supporting through user charges and include Enterprise Funds.

Enterprise Funds - Water Supply System and Sanitary Sewage Disposal System Funds are used to account for operations of the water and the sewage systems in a manner similar to private business enterprises, where the intent of the Township is that the expenses, including depreciation, of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Fund Type

Agency Fund - The Tax Collection Fund is used to account for assets held by the Township in a trustee capacity or as an agent for other governments and other funds. This fund is custodial in nature and does not involve measurement of results of operations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Government-wide Financial Statements

The Government-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the Township's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the Township provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, nonrestricted state and federal aid and other revenues that are not program revenues are reported as general revenues.

Fund-based Financial Statements

Governmental fund types and Agency Funds use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenues are recorded when all applicable eligibility requirements are met and resources are available (often referred to as "susceptible to accrual"). Revenues are available when revenues are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The Township considers revenues to be available if they are expected to be collected within 60 days of the end of the year, except that tax revenues, fees and nontax revenues are recognized when received. Grants, entitlements and shared revenues are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when all applicable eligibility requirements of the grants are met and resources are available. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources, except unmatured interest on general long-term debt is recorded when due.

Proprietary fund types use the accrual basis of accounting and the flow of all economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises; revenues are recorded when earned and expenses are recorded when incurred. Under this basis of accounting and measurement focus, the Township applies (a) all GASB pronouncements and (b) FASB Statements and Interpretations, APB Opinions and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and the Budgetary Process

The Township Board adopts an annual operating budget, which can be amended by the Board throughout the year. Formal budgetary accounting is employed as a management control for all funds of the Township. A formal budget is adopted for all governmental funds. The budget is adopted on the same basis of accounting as is used to reflect actual revenues and expenditures.

At the fund level, actual expenditures cannot exceed budgeted appropriations; however, with proper approval by the Township Board, budgetary transfers between departments can be made. The budgeted financial statements represented in this report reflect the final budget authorization and all budget amendments approved by the Board during the year. Budgets are adopted on the functional level and lapse at the end of the year.

Receivables

Credit is extended to customers of the Enterprise Funds and to various units of government by the General Fund. All receivables are reported at their gross value. No allowance for uncollectible accounts is included in the financial statements as uncollectible accounts are nominal. Annually, the Township adds delinquent accounts to its tax roll for collection.

Inventories

Inventories of proprietary funds are valued at cost.

Prepays

Prepaid expenditures/expenses are recognized for unexpired portions of insurance policies.

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Investment in Capital Assets, Net of Related Debt

This is a portion of net assets of the Township that consists of capital assets, net of accumulated depreciation and reduced by long-term liabilities for notes, bonds and other debt attributable to the acquisition, construction or improvement of those assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Net Assets

Net assets are restricted when there are constraints placed on their use by external parties or by statute. The Enterprise Funds, because of certain bond covenants, are required to establish and maintain prescribed amounts of cash that can be used only to service outstanding debt and to pay for replacement of the utility plant assets.

Unrestricted Net Assets

Net assets not meeting either criteria above are considered unrestricted.

Capital Assets and Depreciation

Capital assets include land and improvements, buildings, furniture and fixtures, equipment, fire trucks and vehicles and are reported in the Government-wide financial statements. Capital assets are defined by the Township as assets with an acquisition cost of generally more than \$1,000 or betterments totaling \$10,000 with an estimated useful life in excess of five years. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded on the Government-wide Statement of Activities and included as a direct expense of an identifiable function if the assets sole purpose can be identified as being for that function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

The capital assets are depreciated using the straight-line method over the following useful lives:

Land	Not depreciated
Buildings and improvements	40 years
Office furniture and fixtures	5-20 years
Fire equipment	20 years
Other equipment	5-20 years
Utility plant	40 years
Vehicles	3-5 years

Long-Term Debt

Long-term liabilities for revenue bonds are reported in the appropriate Enterprise Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity

The unreserved fund equity for governmental funds represent the amount available for budgeting future operations.

Property Tax Revenues

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 of the ensuing year with the final collection date of February 28 before they are added to the delinquent rolls. The Township records property taxes as a revenue when they are levied because they are both measurable and available. Delinquent real property taxes of the Township and all other local units are purchased annually by the County of Ontonagon.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Significant changes to the Township's financial statements as a result of GASB No. 34 are as follows:

Management Discussion and Analysis – provides analysis of the Township's overall financial position and results of operations as reported by the Township's management.

Government-wide financial statements – Statement of Net Assets and Statement of Activities are prepared using the full accrual basis of accounting that includes all of the Township's activities.

Capital assets – recorded in the governmental activities statement of net assets at March 31, 2005 are \$496,924 along with \$282,640 of accumulated depreciation of those capital assets. The March 31, 2003 financial statements reported fixed assets in the General Fixed Assets Account Group (GFAAG) that has been eliminated for reporting purposes. No change was reported in the historical cost of the assets from the GFAAG to the current April 1, 2004 beginning capital assets balance.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Change (Continued)

Major and Nonmajor funds – fund-based financial statements focus on major funds rather than fund-types. Major funds are determined based on the comparison of activity of individual governmental funds to total governmental fund activity.

Contributed Capital – contributions in aid of construction are now recorded in the statement of net assets as part of “invested in capital assets, net of related debt” in the Township’s enterprise funds. These were previously reported by the Township as a separate line item of fund equity and depreciation on assets acquired by grants externally restricted for capital construction were accounted for as a reduction of contributed capital rather than being amortized as a cost of operations.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Public Act 275 of 1980

The Township did not have any funds with a fund-balance deficit or retained-earnings deficit at March 31, 2005.

Public Act 621 of 1978

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year the Township incurred expenditures in certain activities which were in excess of amounts appropriated.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Compliance with Bond Covenants

Following is a summary of required reserves under revenue bond ordinances and funding levels at March 31, 2005:

	Required Reserve at <u>March 31, 2005</u>	Balance at <u>March 31, 2005</u>
Water Supply System Revenue Bonds, dated August 2, 1974:		
Bond Reserve Account	\$ 13,113	\$ 16,362
General Purpose Account	10,000	12,269
Water Supply System Revenue Bonds, dated September 24, 1998:		
Bond Reserve Account	6,600	6,814
General Purpose Account	18,000	18,583
Sanitary Sewage Disposal System Revenue Bonds, dated March 1, 1972:		
Bond Reserve Account	17,000	21,215
General Purpose Account	<u>10,000</u>	<u>7,361</u>
TOTALS	<u>\$ 74,713</u>	<u>\$ 82,604</u>

NOTE C - PROPERTY TAX ADMINISTRATION FEE

The Township has not established a subsidiary ledger to account for costs incurred in collection, assessing and reviewing of property tax levies as required by Public Act 503 of 1982. A summary of the transactions that would affect the balance sheet equity account for the year ended March 31, 2005, follows:

Receipts from charging administrative fee	\$ 9,629
Costs incurred	<u>19,798</u>
Excess of costs	<u>\$ (10,169)</u>

NOTE D - CASH INFORMATION

All deposits were made in a bank insured by federal depository insurance. Deposits were made in accordance with State of Michigan statutes and under authorization of the Township Board.

At March 31, 2005, cash, including restricted cash, totaled \$277,153. The actual bank balances totaled \$338,511, of which \$138,485 was covered by federal depository insurance and \$200,026 exceeded federal depository insurance coverage.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - PROPERTY TAXES

The Township bills and collects its own property taxes and also collects current rolls for the County, School District, State Education Tax and Intermediate School District. The delinquent real property taxes of the Township for the 2004 levy are to be purchased by the County of Ontonagon.

A summary of the 2004 tax roll follows:

	<u>Mills</u>	<u>Levy</u>	<u>Taxes Returned Delinquent</u>	<u>Net Tax Collections</u>
County	16.2638	\$ 346,643	\$ 38,620	\$ 308,023
State Education Tax	6.0000	127,892	8,293	119,599
School:				
Operating	16.9238	234,972	13,126	221,846
Debt	8.5000	181,182	20,187	160,995
Township	<u>3.1158</u>	<u>66,411</u>	<u>7,399</u>	<u>59,012</u>
TOTALS	<u>50.8034</u>	<u>\$ 957,100</u>	<u>\$ 87,625</u>	<u>\$ 869,475</u>
Taxable valuation:				
Homestead				\$ 7,328,543
Non-homestead				<u>14,074,703</u>
			TOTAL	<u>\$21,403,246</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CAPITAL ASSETS

Following is a summary of changes in capital assets during the year ended March 31, 2005:

	Balance at April 1, <u>2004</u>	<u>Additions</u>	<u>Disposals</u>	Balance at March 31, <u>2005</u>
<u>Governmental Activities:</u>				
Assets:				
Land	\$ 30,444			\$ 30,444
Buildings and improvements	91,858			91,858
Fire equipment	260,458	\$ 59,264		319,722
Other equipment	5,000			5,000
Recreation park	<u>49,900</u>			<u>49,900</u>
	\$ 437,660	\$ 59,264		\$ 496,924
Less accumulated depreciation	<u>273,188</u>	<u>9,452</u>		<u>282,640</u>
Net	\$ 164,472	\$ 49,812	\$ 0	\$ 214,284
<u>Business-type Activities:</u>				
Water Supply System Fund:				
Land	\$ 15,642			\$ 15,642
Vehicles and equipment	17,059			17,059
Water system and distribution mains	<u>1,121,564</u>	<u>9,695</u>		<u>1,131,259</u>
	\$ 1,154,265	\$ 9,695		\$ 1,163,960
Less accumulated depreciation	<u>427,173</u>	<u>28,161</u>		<u>455,334</u>
Net	\$ 727,092	\$ (18,466)	\$ 0	\$ 708,626
Sanitary Sewage Disposal System:				
Land	\$ 4,750			\$ 4,750
Vehicles and equipment	15,211			15,211
Sewage collection and treatment facilities	<u>610,300</u>			<u>610,300</u>
	\$ 630,261	\$ 0	\$ 0	\$ 630,261
Less accumulated depreciation	<u>473,190</u>	<u>16,398</u>		<u>489,588</u>
Net	\$ 157,071	\$ (16,398)	\$ 0	\$ 140,673
Total Business-Type Activities	\$ 884,163	\$ (34,864)	\$ 0	\$ 849,299
TOTAL GOVERNMENT	\$ 1,048,635	\$ 14,948	\$ 0	\$ 1,063,583

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - REVENUE BONDS PAYABLE

Data relative to the Water Supply System Fund revenue bonds at March 31, 2005, follows. Bonds are subject to redemption prior to maturity on any interest payment date in inverse numerical order. These revenue bonds are self-liquidating bonds and are not a general obligation of the Township of Bergland, but are payable solely from the revenues of the Water Supply System Fund.

1974 Issue

Date of issue - August 2, 1974

Amount of original issue - \$225,000

Outstanding at March 31, 2005 - \$45,000

Interest rate - 5%

Interest dates - January 1 and July 1

Bond payment date - January 1

Debt service charges until maturity are as follows:

<u>Year ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 10,000	\$ 2,250	\$ 12,250
2007	10,000	1,750	11,750
2008	10,000	1,250	11,250
2009	10,000	750	10,750
2010	<u>5,000</u>	<u>250</u>	<u>5,250</u>
	<u>\$ 45,000</u>	<u>\$ 6,250</u>	<u>\$ 51,250</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - REVENUE BONDS PAYABLE (CONTINUED)

1998 Issue

Date of issue - September 24, 1998
 Amount of original issue - \$200,000
 Outstanding at March 31, 2005 - \$188,000
 Interest rate - 4.5%
 Interest dates - March 1 and September 1
 Bond payment date - September 1

Debt charges until maturity are as follows:

<u>Year ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 2,000	\$ 8,415	\$ 10,415
2007	3,000	8,280	11,280
2008	3,000	8,145	11,145
2009	3,000	8,010	11,010
2010	3,000	7,875	10,875
2011	3,000	7,740	10,740
2012	3,000	7,605	10,605
2013	3,000	7,470	10,470
2014	3,000	7,335	10,335
2015	4,000	7,110	11,110
2016	4,000	6,930	10,930
2017	4,000	6,750	10,750
2018	4,000	6,570	10,570
2019	4,000	6,390	10,390
2020	4,000	6,210	10,210
2021-2025	26,000	27,855	53,855
2026-2030	32,000	21,015	53,015
2031-2035	40,000	12,780	52,780
2036-2038	<u>40,000</u>	<u>2,835</u>	<u>42,835</u>
	<u>\$ 188,000</u>	<u>\$ 175,320</u>	<u>\$ 363,320</u>

Data relative to the Sanitary Sewage Disposal System Fund revenue bonds at March 31, 2005, follows. Bonds are subject to redemption prior to maturity on any interest payment date in inverse numerical order. These revenue bonds are self-liquidating bonds and are not a general obligation of the Township of Bergland, but are payable solely from the revenues of the Sanitary Sewage Disposal System Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - REVENUE BONDS PAYABLE (CONTINUED)

1972 Issue

Date of issue - March 1, 1972
 Amount of original issue - \$283,000
 Outstanding at March 31, 2005 - \$15,000
 Interest rate - 5%
 Interest dates - January 1 and July 1
 Bond payment date - January 1

Debt service charges until maturity are as follows:

<u>Year ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 12,000	\$ 750	\$ 12,750
2007	<u>3,000</u>	<u>150</u>	<u>3,150</u>
	<u>\$ 15,000</u>	<u>\$ 900</u>	<u>\$ 15,900</u>

NOTE H - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at March 31, 2005, were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 39,589	Enterprise Tax Collection	\$ 5,704 <u>33,885</u>
	\$ 39,589		\$ 39,589
Fire	29,357	Tax Collection	29,357
Enterprise	<u>2,811</u>	Tax Collection	<u>2,811</u>
TOTAL	<u>\$ 71,757</u>	TOTAL	<u>\$ 71,757</u>

NOTE I - STATE CONSTRUCTION CODE ACT INFORMATION

During the year ended March 31, 2005, the Township collected construction code service fees of \$4,510 and spent \$6,436 for enforcing the code. Because the fee structure is not intended to recover the full cost of enforcement and the Township has the ability to track the full costs and revenues, a separate fund has not been created to account for these monies.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township maintains two Enterprise Funds - one to provide a water supply system and one to provide a sewage disposal system. Segment information for the year ended March 31, 2005, follows:

	Water Supply System <u>Fund</u>	Sanitary Sewage Disposal System <u>Fund</u>	Total Enterprise <u>Fund</u>
Operating transfers in (out)	\$ 0	\$ 0	\$ 0
Tax revenues	0	0	0
Current capital contributions	0	0	0
Utility plant:			
Additions	9,695	0	9,695
Deletions	0	0	0

NOTE K - RISK MANAGEMENT

The Township is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$2,000,000 per occurrence and a \$4,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the Governmental and Proprietary Funds of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2005, will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE L - COMPARATIVE PROPRIETARY FUND TYPE FINANCIAL STATEMENTS

Comparative proprietary fund type financial statements required by U.S. Department of Agriculture Rural Utilities Service are not presented because an audit was not required for the year ended March 31, 2004.

REQUIRED
SUPPLEMENTAL
INFORMATION

BUDGETARY COMPARISON SCHEDULE -

TOWNSHIP OF

Year ended

	General Fund		Actual
	Original Budget	Final Budget	
Revenues:			
Taxes	\$ 39,667	\$ 39,667	\$ 49,254
Licenses and permits	5,310	5,310	4,510
Federal grants			4,956
State grants	36,272	36,272	38,428
Charges for services	4,300	4,300	5,061
Interest and rents	4,800	4,800	5,127
Other revenues	<u>5,900</u>	<u>5,900</u>	<u>25,811</u>
TOTAL REVENUES	\$ 96,249	\$ 96,249	\$ 133,147
Expenditures:			
Current:			
Legislative	\$ 9,225	\$ 9,225	\$ 11,413
General government	60,579	60,579	80,512
Public safety	4,800	4,800	7,821
Public works	15,000	15,000	11,046
Recreation and culture	5,700	5,700	4,544
Other functions	12,845	12,845	21,224
Capital outlay			
Debt service			
TOTAL EXPENDITURES	\$ <u>108,149</u>	\$ <u>108,149</u>	\$ <u>136,560</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (11,900)	\$ (11,900)	\$ (3,413)
Fund balance at April 1, 2004	<u>83,523</u>	<u>83,523</u>	<u>83,523</u>
FUND BALANCE AT MARCH 31, 2005	\$ <u>71,623</u>	\$ <u>71,623</u>	\$ <u>80,110</u>

The accompanying notes are an integral part of the
financial statements.

GENERAL FUND AND FIRE FUND

BERGLAND, MICHIGAN

March 31, 2005

Original Budget	Fire Fund	
	Final Budget	Actual
\$ 24,439	\$ 24,439	\$ 32,238
		51,909
		233
		<u>708</u>
\$ 24,439	\$ 24,439	\$ 85,088
\$ 8,821	\$ 8,821	\$ 5,468
		59,264
		<u>42,050</u>
<u>\$ 8,821</u>	<u>\$ 8,821</u>	<u>\$ 106,782</u>
\$ 15,618	\$ 15,618	\$ (21,694)
<u>66,898</u>	<u>66,898</u>	<u>66,898</u>
<u>\$ 82,516</u>	<u>\$ 82,516</u>	<u>\$ 45,204</u>

OTHER
FINANCIAL
INFORMATION

STATEMENT OF REVENUES - ESTIMATED AND ACTUAL - GENERAL FUND

TOWNSHIP OF BERGLAND, MICHIGAN

Year ended March 31, 2005

	Estimated Revenue	Actual Revenue	Variance Favorable (Unfavorable)
Taxes:			
Property taxes	\$ 27,559	\$ 34,583	\$ 7,024
Payment in lieu of tax		311	311
Commercial forest reserve tax	4,300	7,573	3,273
Swamp tax		171	171
Property tax administrative fee	<u>7,808</u>	<u>6,616</u>	<u>(1,192)</u>
	\$ 39,667	\$ 49,254	\$ 9,587
Licenses and permits - building permits	5,310	4,510	(800)
Federal grant - National Forest monies		4,956	4,956
State grants:			
Revenue sharing	\$ 34,872	\$ 37,653	\$ 2,781
Other	<u>1,400</u>	<u>775</u>	<u>(625)</u>
	\$ 36,272	\$ 38,428	\$ 2,156
Charges for services - camping fees	4,300	5,061	761
Interest and rents:			
Interest earned		\$ 327	\$ 327
Rents	<u>\$ 4,800</u>	<u>4,800</u>	
	\$ 4,800	\$ 5,127	\$ 327
Other revenues:			
Refunds and reimbursements	\$ 3,900	\$ 3,790	\$ (110)
Wage reimbursements	2,000	20,990	18,990
Miscellaneous	<u></u>	<u>1,031</u>	<u>1,031</u>
	<u>\$ 5,900</u>	<u>\$ 25,811</u>	<u>\$ 19,911</u>
TOTAL REVENUES	<u>\$ 96,249</u>	<u>\$ 133,147</u>	<u>\$ 36,898</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET - GENERAL FUND

TOWNSHIP OF BERGLAND, MICHIGAN

Year ended March 31, 2005

	Expenditures		Variance Favorable (Unfavorable)
	Budget	Actual	
LEGISLATIVE			
Township Board:			
Salaries and wages		\$ 5,754	
Miscellaneous		<u>5,659</u>	
TOTAL LEGISLATIVE	\$ 9,225	\$ 11,413	\$ (2,188)
GENERAL GOVERNMENT			
Supervisor:			
Salary		\$ 5,245	
Miscellaneous		<u>249</u>	
	\$ 5,492	\$ 5,494	\$ (2)
Elections - miscellaneous		2,528	(2,528)
Assessor:			
Salaries		\$ 9,049	
Miscellaneous		<u>935</u>	
	10,088	\$ 9,984	104
Clerk:			
Salaries		\$ 3,865	
Miscellaneous		<u>135</u>	
	4,615	\$ 4,000	615
Board of review:			
Salaries		\$ 1,004	
Miscellaneous		<u>209</u>	
	1,200	\$ 1,213	(13)

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET -
GENERAL FUND (CONTINUED)

	Expenditures		Variance
	Budget	Actual	Favorable (Unfavorable)
GENERAL GOVERNMENT (CONTINUED)			
Treasurer:			
Salaries		\$ 7,573	
Miscellaneous		<u>5,329</u>	
	9,573	\$ 12,902	(3,329)
Town hall and property:			
Salaries		\$ 133	
Miscellaneous		<u>10,440</u>	
	8,500	\$ 10,573	(2,073)
Cemetery - miscellaneous	3,300	2,408	892
Property maintenance:			
Salaries and wages		\$ 23,652	
Health insurance		5,960	
Miscellaneous		<u>1,798</u>	
	<u>17,811</u>	<u>\$ 31,410</u>	<u>(13,599)</u>
TOTAL GENERAL GOVERNMENT	\$ 60,579	\$ 80,512	\$ (19,933)
PUBLIC SAFETY			
Building inspector:			
Salaries		\$ 4,590	
Miscellaneous		<u>31</u>	
	\$ 4,100	\$ 4,621	\$ (521)
Zoning board:			
Salaries		\$ 915	
Miscellaneous		<u>546</u>	
	700	\$ 1,461	(761)

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET -
GENERAL FUND (CONTINUED)

	<u>Expenditures</u>		Variance
	Budget	Actual	Favorable (Unfavorable)
PUBLIC SAFETY (CONTINUED)			
Fire department:			
Volunteer firemen		\$ 1,550	
Miscellaneous		<u>189</u>	
		\$ 1,739	(1,739)
TOTAL PUBLIC SAFETY	\$ 4,800	\$ 7,821	\$ (3,021)
PUBLIC WORKS			
Street lighting		\$ 7,204	
Street maintenance		<u>3,842</u>	
TOTAL PUBLIC WORKS	\$ 15,000	\$ 11,046	\$ 3,954
RECREATION AND CULTURE			
Township park:			
Salaries and wages		\$ 1,185	
Miscellaneous		<u>3,359</u>	
TOTAL RECREATION AND CULTURE	\$ 5,700	\$ 4,544	\$ 1,156
OTHER FUNCTIONS			
Employer's share of social security	\$ 3,745	\$ 4,920	\$ (1,175)
Penalties		3,243	(3,243)
Insurance	<u>9,100</u>	<u>13,061</u>	<u>(3,961)</u>
TOTAL OTHER FUNCTIONS	\$ 12,845	\$ 21,224	\$ (8,379)
TOTAL EXPENDITURES	<u>\$ 108,149</u>	<u>\$ 136,560</u>	<u>\$ (28,411)</u>

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

TOWNSHIP OF BERGLAND, MICHIGAN

March 31, 2005

	Cemetery Fund	Parks and Recreation Fund	Total
ASSETS			
Cash	\$ <u>32,577</u>	\$ <u>14,465</u>	\$ <u>47,042</u>
FUND BALANCE			
Fund balance	\$ <u>32,577</u>	\$ <u>14,465</u>	\$ <u>47,042</u>

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
NONMAJOR SPECIAL REVENUE FUNDS
TOWNSHIP OF BERGLAND, MICHIGAN

Year ended March 31, 2005

	Cemetery Fund	Parks and Recreation Fund	Total
REVENUES			
Interest and rents	\$ 518	\$ 74	\$ 592
Other revenues	<u>6,200</u>	<u>15,151</u>	<u>21,351</u>
EXPENDITURES	\$ 6,718	\$ 15,225	\$ 21,943
Current:			
General government - cemetery	\$ 898		\$ 898
Recreation and culture	<u></u>	<u>\$ 760</u>	<u>760</u>
	<u>\$ 898</u>	<u>\$ 760</u>	<u>\$ 1,658</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ 5,820	\$ 14,465	\$ 20,285
Fund balance at April 1, 2004	<u>26,757</u>	<u></u>	<u>26,757</u>
FUND BALANCE AT MARCH 31, 2005	<u>\$ 32,577</u>	<u>\$ 14,465</u>	<u>\$ 47,042</u>

The accompanying notes are an integral part of the
financial statements.

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - TAX COLLECTION FUND

TOWNSHIP OF BERGLAND, MICHIGAN

Year ended March 31, 2005

	Balance at April 1, 2004	Additions	Deductions	Balance at March 31, 2005
ASSETS				
Cash	<u>\$ 2,883</u>	<u>\$ 1,007,323</u>	<u>\$ 944,153</u>	<u>\$ 66,053</u>
LIABILITIES				
Due other funds	\$ 2,883	\$ 72,094	\$ 8,924	\$ 66,053
Due Ontonagon County		487,767	487,767	
Due Ewen-Trout Creek School		401,608	401,608	
Due State of Michigan		41,015	41,015	
Due individuals		<u>4,839</u>	<u>4,839</u>	
	<u>\$ 2,883</u>	<u>\$ 1,007,323</u>	<u>\$ 944,153</u>	<u>\$ 66,053</u>

The accompanying notes are an integral part of the financial statements.

SUPPLEMENTAL
REPORTS

JOKI, MAKELA & POLLACK, P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
301 N. SUFFOLK STREET
IRONWOOD, MICHIGAN 49938-2027

T. J. MAKELA, C.P.A.
W. J. JOKI, C.P.A.
A. R. POLLACK, C.P.A., C.S.E.P.
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Supervisor and Members of the Board
Township of Bergland
Bergland, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Township of Bergland as of and for the year ended March 31, 2005, which collectively comprise the Township of Bergland's basic financial statements and have issued our report thereon dated July 29, 2005. Township of Bergland has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments* as of March 31, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Bergland's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Township of Bergland's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings as items 2005-1 and 2005-2, which were also reported upon in prior years.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in the Schedule of Findings, we consider item 2005-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Township of Bergland's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Township Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Joki, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
July 29, 2005

SCHEDULE OF FINDINGS

TOWNSHIP OF BERGLAND, MICHIGAN

Year ended March 31, 2005

Reportable Conditions:

(2005-1) General Ledger and Interim Financial Reports

The Township General Ledger was not kept up in a timely manner during the year ended March 31, 2005. As a result, interim financial reports presented to the Board were incomplete and not useful as a management tool.

We recommend that the General Ledger be posted to and maintained on a monthly basis so that interim financial reports presented to the Board are complete and can serve as a useful management tool for both administrative and internal control purposes.

(2005-2) Michigan Public Act 621 of 1978

Michigan Public Act 621 of 1978 provides that a local unit shall amend its budget when it becomes apparent that actual expenditures will exceed budgeted expenditures. The Township incurred expenditures in excess of budgeted amounts in certain activities during the year ended March 31, 2005.

We recommend that the Township review the requirements of Michigan Public Act 621 of 1978, and amend its budget in accordance therewith in the future to avoid expenditures in excess of budgeted amounts.